

**Iowa Power Fund Board
Meeting Minutes
January 9, 2008
Iowa Utilities Board Hearing Room
350 Maple St
Des Moines, Iowa**

Call to Order:

Fred Hubbell, Chair, called the meeting to order at 9:10 A.M. He acknowledged a quorum.

| Member | Present | Absent | Member | Present | Absent |
|-----------------|---------|--------|--------------------------------|----------------|---------|
| Voting Members | | | Ex-Officio Members | | |
| Fred S. Hubbell | X | | M J Dolan | X | |
| Peter Hemken | Billi | | Gregory Geoffroy | Andy | |
| Patricia Higby | X | | Kent Henning | X | |
| Carrie LaSeur | X | | Senator Hubert Houser | | X |
| Richard Leopold | X | | Senator Roger Stewart | X | |
| John Norris | X | | Rep. Nathan Reichert | X | |
| Bill Northey | X | | Rep. Chuck Soderberg | X | |
| Lucy Norton | X | | <i>Due Diligence Committee</i> | Present | Present |
| Mike Tramontina | X | | Floyd Barwig | Franklin Codel | X |
| Thomas Wind | X | | Ted Crosbie | Vern Gebhart | X |
| | | | Curt Hunter | Fred Hubbell | X |
| | | | Patricia Higby | Roya Stanley | X |

- OEI staff in attendance: Roya Stanley, Brian Crowe, Jennifer Wright, Sherry James

Approval of Agenda:

Action: Joan Conrad moved, Rich Leopold seconded, to approve the agenda as presented. All members present voted “aye”.

Approval of Minutes:

Action: Patricia Higby moved, Rich Leopold seconded, to approve the December 3 and December 10 Power Fund Board minutes with a correction on page 3 in the December 3 minutes to change the word “permeable” to permissible”. All members present voted “aye”.

Chair’s Remarks:

Chair Fred Hubbell reported that the emphasis of the meeting would be to finalize the application and the application process in regards to the flow from the receipt of the pre-application in OEI’s office to the presentation of the pre-application to the Power Fund Board. These details will be posted on the webpage for clarity to the general public.

Director's Remarks:

Director Roya Stanley congratulated the Board on the very short amount of time that they were able to finalize the administrative rules, complete the Energy Plan and prepare the process for the awarding of the financial awards. She reported the conversation for the 2008 Energy Plan would need to begin in the near future for preparation of the Plan.

Public Comment:

Lee McCluen, Sorganol Production Company, spoke to the Board regarding a new invention that he is proposing. He reported he will be submitting a pre-application for the manufacturing of the harvester for the sorghum.

Mike Ott, B-Iowa, spoke to the Board regarding Iowa joining the Chicago Climate Exchange to assist in environmentally friendly measuring of carbon. This organization would assist in making all the state owned buildings and vehicles more efficient. This is an individual membership. Chair Hubbell suggested Mr. Ott speak to the Department of Administrative Services (DAS).

Board Resignation:

Chair Hubbell reported that Power Fund Board member Glenn Cannon retired from employment at the Waverly Light and Plant Company in December and would be doing consulting in 2008 with extensive travel. Mr. Hubbell, Director Stanley and the Governor's staff have been reviewing applications from individuals that have expressed an interest in serving on the Power Fund Board. A recommendation for Mr. Cannon's replacement will be given to the Governor in the near future.

Mr. Hubbell expressed best wishes to Mr. Cannon and thanked him for a valuable service to the Power Fund Board. It was Mr. Hubbell's desire that Mr. Cannon would continue to watch the OEI and continue to share good ideas with the Office.

Committee Reports:

Due Diligence: The Due Diligence Committee (DDC) met on December 19. Director Stanley reported the committee reviewed the administrative rules in perspective to the DDC's responsibilities. They further discussed intellectual property and how that is completed. The committee reviewed the pre-application and application forms with consideration from the Application Committee. Brian Crowe reviewed timetables and flow charts for the process. He reported that once the administrative rules and applications are finalized, the DDC would begin accepting pre-applications. In order to allow OEI staff internal time to review the pre-applications for completeness and forward them to the DDC for their review, it was determined that pre-applications received by the 1st of each month would be reviewed by the DDC at that respective month's DDC meeting. If the DDC determined the pre-application was worthy of consideration for funding, the applicant would be sent a full-application to complete and return to the Office. If the committee did not wish to consider funding the applicant's request, a letter would be sent to the applicant stating the Power Fund Board was not interested in funding the project or it did not meet the Board's criteria. Once the full application is received back in the Office, they will be presented to the Power Fund Board for their recommendation.

Mr. Crowe reported the DDC reviewed the "draft" pre-applications that were submitted prior to the December 19 meeting to get a sense of the projects and requested funding amounts. He reviewed 18 pre-applications that ranged in price from \$95,000 to \$3 million. These applicants were made aware of the opportunity to submit a pre-application through their connection with Power Fund Board members or the Office's webpage. All applicants were advised that the pre-applications they

submitted prior to the finalization of the rules will necessarily need to be resubmitted and completed on the final pre-application form in order to be considered. OEI staff and DDC members did not make any comments to the applicants of the “draft” submissions.

Administrative Rules: Brian Crowe reported the public hearing for the administrative rules was held on December 18. The public’s comments were put into a matrix. The administrative rules committee met on January 3, 2008. There was discussion regarding Floyd Barwig’s oral comments that were given at the December Board meeting. Patricia Higby presented written comments from a staff member of the institution she represents on the Board that she reported she read at the December Board meeting. Julie Pottoroff, AG’s office, reported it was acceptable for the Board to discuss the oral comments that were received at the Board meeting. There was discussion regarding the Power Fund Board or the DDC requiring an applicant to obtain a technical, scientific or financial review and who would be responsible for the cost. It was reported that this additional expense for a review could be a risk to small businesses if the applicant was required to pay for it; however, there was discussion regarding that the Board has been directed to award funding to good projects for a good investment and it would be a greater risk of awarding funding to a project that had not been fully reviewed. Representative Soderberg reported he felt it was the legislators’ intent that the money that was designated to the Power Fund be used for projects, not administrative fees

The following language was added to the pre-application: “The board or committee may request an applicant to obtain a technical, scientific or financial review of a proposal which may wholly or partially come at the applicant’s expense. The review may be obtained from a reviewer recommended by the board or committee or may be obtained from a reviewer selected by the applicant and approved in advance by the board or committee. Only reviews from reviewers recommended by or approved by the board or committee will be accepted.”

It was the consensus of the Board to encourage the legislators to make the language clearer in HF 956 as to whether the Power Fund money could be used for such expenses as paying for reviews for projects. If the legislators don’t allow the Power Fund to absorb those costs, it could be a situation where only those applicants that stand the cost on their own will be funded, as the Board wouldn’t want to award funding to an applicant that they felt needed additional surveying or scientific peer review first. Additional language is needed to clarify that the Office would accept payment from the applicant making the contract with the OEI so at some point the relationship could be severed with the applicant. The Board also suggested a clause be added stating the money would come back to the Power Fund and not the general fund. It was reiterated that the Power Fund Board was not asking for additional funding.

It was the committee’s desire to the director that the state gain as much as can be gained from Intellectual property negotiations while recognizing that it really has to be fact based.

It was the consensus of the Board that in addition to the administrative rules that the Office process implementation guidelines to determine who pays and how much for the additional requested reviews, as well as the expectations and perimeters of the intellectual property process so as not to socialize risk to privatize profits.

Action: Carrie LaSeur moved, Lucy Norton seconded, to make the following changes to the Administrative Rules: 4.7 (2), replace the word “administrative” with “indirect”; 4.8 (3) replace the word “require” with “request” and add the words “which may wholly or partially be funded” after the word ‘proposal’. All members present voted “aye”.

Director Stanley reviewed the continued process for the Administrative Rules. The final rules would be filed on Friday, January 11, 2008 as adopted and emergency. They would become effective immediately. This would also announce the Office of Energy Independence was ‘open for business’ as of January 11 and could begin accepting pre-applications.

Planning Committee: Tom Wind, planning committee chair, reported the Energy Plan that was submitted on December 14, 2007 indicated the Office and Board would do a lot of planning throughout 2008 and included several pages of public comments and comments from the Board suggesting policies needed in the state. These policies will necessarily require funding to support the Plan that is not provided for in the 1 ½ % administrative fees. There was discussion of the differences and similarities between the US Department of Energy’s State Implementation Plan and OEI’s Energy Plan.

There was discussion regarding grants that could be available to assist with the implementation of the Plan as well as third party supporters and funding available from other state departments. Mr. Leopold reported the DNR and OEI are working on preparing 28E and 28D agreements to assist OEI. Mr. Wind suggested the Planning committee prepare a budget showing necessary money needed to implement a good Plan to assist the legislators with negotiations. Representative Reichert and Senator Stewart reported the assistance would be appreciated to clarify these numbers for the legislators in order to have a collaborative effort to solve the cumulative problem.

Mr. Wind reported he had copies of several other states’ Energy Plans to share with the committee. He suggested a teleconference be scheduled with the Planning committee prior to the next Board meeting to begin the process.

Application:

The Board reviewed the pre-application as presented in “draft”. Mr. Crowe reviewed the minor changes that had been completed since the last application committee meeting. There were some administrative, technical changes suggested. Pre-applications will be sent electronically in word format to an OEI mailbox that has been set-up. Other changes will be made due to the administrative rule changes. A bullet line has been added requesting information on how the goals of the project meet the goals of the Iowa Power Fund. Another line item added under Section 3 was “Budget Summary to include Sources and Uses of Funds. The time line was reviewed per the flow chart that Mr. Crowe prepared.

The Board reviewed the full applications for Commercialization; Education; Research and Development; and Other. It was reported the full applications are very similar with some specific questions relative to the category.

There was discussion regarding confidentiality with the applications. The applicant can request to keep the application confidential and notice must be given to OEI with a redacted copy of the information if they request the application be kept confidential.

A timeline for the full application process was reviewed. There will likely be 120 days for the contract negotiations. It was noticed that the first contract could be paid on September 14, 2008. Senator Stewart encouraged OEI and the Board to make the awards as quickly as they felt comfortable and was feasible in order for the legislators to take notice that this is a viable project.

Public Comments:

Troy Benjegerdes, Ames Department of Energy, encouraged OEI to use the “Open Source Software” to make it more financial feasible for applicants to submit applications.

Suggested Investment Targets:

The Board discussed the categories for the applications and the suggested investment targets. OEI is tracking the applications as they come into the office and determining the category they are applying. A spreadsheet has been developed that will show the total number of applications received and the total dollar amount per application and per category.

There was discussion regarding where the Board wanted the funding to be distributed. There is a lesser risk if the funding is spread out over all categories. A maximum and minimum amount per category was discussed. The board reviewed HF 918; “The fund shall be used to further the goals of increasing the research, development, production, and use of biofuels and other sources of renewable energy, improve energy efficiency, and reduce greenhouse gas emissions, and shall encourage, support, and provide for research, development, commercialization, and the implementation of energy technologies and practices. Eligibility criteria for grants awarded or loans made after due diligence activities shall be established by the director by rule, and shall include documentation relating to the actual or potential development of the following: (a) Commercialization of technology and product development for sale in the national and international market (2) Utilization of crops and products grown or produced in this state that maximize the value of crops used as feedstock in biomanufacturing products and as co-products; (3) Reduction of greenhouse gas emissions and carbon sequestration; (4) private or federal matching funds.

There was discussion regarding the ‘buckets’ of funding as to how they were divided between the different categories: commercialization, education, research/development and other. The Due Diligence Committee has recommended that \$2.5 million be set aside for each quarter to preserve allocations into future quarters. This, in no way, would limit the Power Fund Board’s ability to fund good projects at any time.

Adjournment:

There being no further business to discuss at this time, the meeting adjourned at 3:30 P.M. The next meeting will be at the Golden Grant Energy Ethanol Plant in Mason City beginning at 9:00 AM with a tour of the plant. The Board meeting will begin at 11:00 AM.

Fred Hubbell, Board Chair

Sherry James, Recording Secretary

Date